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## CURRENT SUPPORT MEMORANDUM

SOVIET FOREIGN TRADE IN 1957

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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~~CONFIDENTIAL~~SOVIET FOREIGN TRADE IN 1957

Recent Soviet statements seem to indicate that Soviet trade with the bloc in 1957 showed little if any increase over 1956 while trade with the Free World experienced an increase of upward of 55 percent. The apparent failure to increase foreign trade with the bloc countries contrasts with the prediction by Pervukhin (then chairman of the defunct State Economic Commission for Current Planning) in February 1957 that Soviet trade with the socialist countries was to increase by 13 percent in 1957 an increase of more than \$700 million. 1/ Economic dislocations in the European Satellites resulting from the Polish and Hungarian events in late 1956 must have played an important part in the apparent failure by the USSR to implement its bloc trade plans in 1957. The economic reorganization within the USSR was undoubtedly a contributing factor as well. The decision of the CEMA members in 1957 to postpone their long-term plans from 1956-1960 to 1959-1965 seems to indicate that bloc economic specialization and integration was not proceeding smoothly. It seems likely that foreign trade plans would also have been affected. The year 1957 thus appeared to be one of reassessment and readjustment in both the USSR and the satellites.

Soviet sources state that Soviet foreign trade in 1957 amounted to approximately 33 billion rubles (\$8.25 billion). 2/ This compares with 29.1 billion rubles (\$7.275 billion) in 1956, or an increase of 13 percent. A Soviet announcement also states that "more than two-thirds" of the Soviet trade in 1957 was carried on with the bloc.\* 2/

This suggests a marked change from all the years between 1950 and 1956 when Soviet trade with the bloc accounted for 76-82 percent of total Soviet trade. If it is assumed that "more than two-thirds" means about 67 percent, the USSR's trade with the bloc countries approximated \$5.5 billion as against \$5.525 billion in 1956, in other words, little or no increase over 1956. The assumption that "more than two-thirds" could mean as much as 70 percent (\$5.775 million) does not alter the basic contention that Soviet trade with the bloc increased very little in 1957.

These Soviet statements, however, are based on preliminary data and on at least one occasion in the past preliminary Soviet estimates of its trade with the bloc have understated that the actual value of trade for that year. Preliminary estimates made by East Germany, Czechoslovakia, and Poland of their trade with the USSR indicate increases rather than decreases compared with 1956. Hungary's trade with the USSR also appears to have increased in 1957. On the other hand, trade between the USSR and its major bloc trading partner, China, appears to have been reduced in 1957.

If it is assumed that the Soviet statements are substantially correct, Soviet trade with the Free World would then account for the remaining 33 percent, that is, \$2.75 billion as against \$1.75 billion in 1956--an increase of 55 percent. All or almost all of the increase in Soviet foreign trade volume may thus be imputed to increased trade with the Free World.

The following table shows the distribution of Soviet trade between the bloc and the Free World since 1953:

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\*Yugoslavia is included by the USSR in reporting on trade with the bloc.

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|             | Sino-Soviet Bloc         |                  | Free World               |                  | Total                    |                  |
|-------------|--------------------------|------------------|--------------------------|------------------|--------------------------|------------------|
|             | Millions of Current \$US | Percent of Total | Millions of Current \$US | Percent of Total | Millions of Current \$US | Percent of Total |
| 1953        | 4,750                    | 82%              | 1,000                    | 18%              | 5,750                    | 100%             |
| 1954        | 4,900                    | 78%              | 1,350                    | 22%              | 6,250                    | 100%             |
| 1955        | 5,187                    | 79%              | 1,342                    | 21%              | 6,529                    | 100%             |
| 1956        | 5,525                    | 76%              | 1,759                    | 24%              | 7,282                    | 100%             |
| 1957 (est.) | 5,500                    | 67%              | 2,750                    | 33%              | 8,250                    | 100%             |

The above table demonstrates that Soviet trade with the Free World has increased more rapidly over the period 1953-1957 than Soviet trade with the bloc. Index numbers based on the above data show these increases even more graphically. Taking 1953 as 100, trade with the bloc and the Free World increased as follows:

|            | <u>1954</u> | <u>1955</u> | <u>1956</u> | <u>1957 (est.)</u> |
|------------|-------------|-------------|-------------|--------------------|
| Total      | 109         | 114         | 127         | 144                |
| Bloc       | 103         | 109         | 116         | 116                |
| Free World | 135         | 134         | 176         | 273                |

Both tables clearly attest to the success of the avowed Soviet policy since 1953 of expanding its free world trade.

Based on partial figures, of the \$1 billion increase in trade with the Free World in 1957 over 1956, approximately \$300 million can be imputed to increased trade with the underdeveloped countries (from about \$300 million in 1956 to an estimated \$600 million in 1957). The bulk of this increase was due to expanded trade with Near Eastern countries. The remaining \$700 million therefore relates to increased trade with Free World industrial countries.

The recent increases in trade with the Free World may indicate a tendency to return to the pre-war traditional trade patterns when the USSR traded its raw materials to the West in return for semi-manufactures and manufactured goods.

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Sources:

1. "Report on the State Plan of 1957," Pravda, 6 Feb 57, U
2. "Report on State Plan Fulfillment in 1957," Pravda, 27 Jan 58, p. 3, U
3. State, Moscow. Dsp 356, 10 Jan 58, OFF USE

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